

FIRST REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 304
99TH GENERAL ASSEMBLY

Reported from the Committee on Health and Pensions, April 13, 2017, with recommendation that the Senate Committee Substitute do pass and be placed on the Consent Calendar.

0993S.03C

ADRIANE D. CROUSE, Secretary.

AN ACT

To repeal sections 169.141, 169.460, 169.490, and 169.715, RSMo, and to enact in lieu thereof four new sections relating to school employee retirement systems.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 169.141, 169.460, 169.490, and 169.715, RSMo, are
2 repealed and four new sections enacted in lieu thereof, to be known as sections
3 169.141, 169.460, 169.490, and 169.715, to read as follows:

169.141. 1. Any person receiving a retirement allowance under sections
2 169.010 to 169.140, and who elected a reduced retirement allowance under
3 subsection 3 of section 169.070 with his **or her** spouse as the nominated
4 beneficiary, may nominate a successor beneficiary under either of the following
5 circumstances:

6 (1) If the nominated beneficiary precedes the retired person in death, the
7 retired person may, upon remarriage, nominate the new spouse under the same
8 option elected in the application for retirement;

9 (2) If the marriage of the retired person and the nominated beneficiary is
10 dissolved, and if the dissolution decree provides for sole retention by the retired
11 person of all rights in the retirement allowance, the retired person may, upon
12 remarriage, nominate the new spouse under the same option elected in the
13 application for retirement.

14 2. Any nomination of a successor beneficiary under subdivision (1) or (2)
15 of subsection 1 of this section must be made in accordance with procedures
16 established by the board of trustees, and must be filed within ninety days of May

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

17 6, 1993, or within [ninety days] **one year** of the remarriage, whichever later
18 occurs. Upon receipt of a successor nomination filed in accordance with those
19 procedures, the board shall adjust the retirement allowance to reflect actuarial
20 considerations of that nomination as well as previous beneficiary and successor
21 beneficiary nominations.

22 **3. Any person receiving a retirement allowance under sections**
23 **169.010 to 169.140 who elected a reduced retirement allowance under**
24 **subsection 3 of section 169.070 with his or her spouse as the nominated**
25 **beneficiary may have the retirement allowance increased to the amount**
26 **the retired member would be receiving had the retired member elected**
27 **option 1 if:**

28 **(1) The marriage of the retired person and the nominated spouse**
29 **is dissolved on or after September 1, 2017;**

30 **(2) The dissolution decree provides for sole retention by the**
31 **retired person of all rights in the retirement allowance; and**

32 **(3) The person receives a retirement allowance under subsection**
33 **3 of section 169.070.**

34 **Any such increase in the retirement allowance shall be effective upon**
35 **the receipt of an application for such increase and a certified copy of**
36 **the decree of dissolution that meets the requirements of this section.**

169.460. 1. Any member may retire and receive a normal pension upon
2 his **or her** written application to the board of trustees setting forth at what time
3 not less than fifteen days nor more than one hundred eighty days subsequent to
4 the execution and filing of such application he **or she** desires to be retired;
5 provided, that the member at the time so specified for his **or her** retirement
6 either (a) shall have attained age sixty-five or (b) shall have attained an age
7 which when added to the number of years of credited service of such member
8 shall total a sum not less than [eighty-five] **eighty**. For purposes of computing
9 any member's age under this section, the board shall, if necessary, add to his **or**
10 **her** actual age any accumulated and unused days of sick leave included in his **or**
11 **her** credited service.

12 **2. Upon retirement [pursuant to] under subsection 1 of this section, a**
13 **member shall receive an annual pension payable in monthly installments in the**
14 **following manner:**

15 **(1) A member hired prior to January 1, 2018, shall receive an**
16 **annual pension payable in monthly installments equal to his or her**

17 number of years of credited service multiplied by two percent of his **or her**
18 average final compensation subject to a maximum pension of sixty percent of his
19 **or her** average final compensation; **or**

20 **(2) A member hired for the first time on or after January 1, 2018,**
21 **shall receive an annual pension payable in monthly installments equal**
22 **to his or her number of years of credited service multiplied by one and**
23 **three-fourths percent of such member's average final compensation**
24 **subject to a maximum pension of sixty percent of the member's average**
25 **final compensation.**

26 3. A member who is not eligible for normal pension pursuant to subsection
27 1 of this section but who has attained age sixty and has five or more years of
28 credited service may make application in the same manner as pursuant to
29 subsection 1 of this section for an early pension. His **or her** early pension shall
30 be computed pursuant to subsection 2 of this section, but shall be reduced by
31 five-ninths of one percent for each month such member's early retirement date
32 precedes the earliest date he **or she** could have received a normal pension
33 pursuant to subsection 1 of this section had his **or her** service continued.

34 4. Upon the written application of the member or of the employing board,
35 any active member who has five or more years of credited service with such board
36 and does not qualify for a normal pension pursuant to subsection 1 of this section
37 may be retired by the board of trustees, not less than fifteen days and not more
38 than one hundred eighty days next following the date of filing such application,
39 and receive a disability pension, provided, that the medical board after a medical
40 examination of such member or such member's medical records shall certify that
41 such member is unable to further perform his **or her** duties due to mental or
42 physical incapacity, and that such incapacity is likely to be permanent and that
43 such member should be retired; or, provided the member furnishes evidence of the
44 receipt of disability benefits under the federal Old Age, Survivors and Disability
45 Insurance System of the Social Security Act. The determination of the board of
46 trustees in the matter shall be final and conclusive. A member being retired
47 pursuant to this subsection who has accumulated unused vacation and sick leave
48 may elect to have the commencement of his **or her** disability pension deferred for
49 more than one hundred eighty days during the period he **or she** is entitled to
50 vacation and sick pay.

51 5. Upon retirement for disability, a member shall receive a disability
52 pension until such time as he **or she** meets the requirements for a normal

53 pension pursuant to subsection 1 of this section, at which time his **or her**
54 disability pension will be deemed to be a normal pension. The member's
55 disability pension shall be the larger of:

56 (1) A normal pension based on his **or her** credited service to the date of
57 his **or her** retirement for disability and calculated as if he **or she** were age
58 sixty-five; or

59 (2) One-fourth of his **or her** average final compensation; except that such
60 benefit shall not exceed the normal pension which he **or she** would have received
61 upon retirement if his **or her** service had continued and he **or she** had satisfied
62 the eligibility requirements of subsection 1 of this section and had his **or her**
63 final average compensation been unchanged.

64 6. Once each year during the first five years following retirement for
65 disability and once in every three-year period thereafter while receiving a
66 disability pension, the board of trustees may, and shall, require any member
67 receiving a disability pension who has not yet become eligible for a normal
68 pension pursuant to subsection 1 of this section to undergo a medical examination
69 at a place designated by the medical board or by a physician or physicians
70 designated by such board. If any such member receiving a disability pension
71 refuses to submit to such medical examination, his **or her** benefit may be
72 discontinued until his **or her** withdrawal of such refusal, and if his **or her**
73 refusal continues for one year, all rights in and to his **or her** pension may be
74 revoked by the board of trustees.

75 7. If the board of trustees finds that any member receiving a disability
76 pension is engaged in or is able to engage in a gainful occupation paying more
77 than the difference between his **or her** disability pension plus benefits, if any,
78 to which he **or she** and his **or her** family are eligible under the federal Old Age,
79 Survivors and Disability Insurance System of the Social Security Act and the
80 current rate of monthly compensation for the position he **or she** held at
81 retirement, then the amount of his **or her** disability pension shall be reduced to
82 an amount which together with the amount earnable by him **or her** shall equal
83 such current rate of monthly compensation. The decisions of the board of trustees
84 in regard to such modification of disability benefits shall be final and conclusive.

85 8. If any member receiving a disability pension is restored to service as
86 an employee, he **or she** shall again become an active member of the retirement
87 system and contribute thereunder. His **or her** credited service at the time of his
88 **or her** retirement for disability shall be restored and the excess of his **or her**

89 accumulated contributions at his **or her** retirement for disability over the total
90 disability pension payments which he **or she** received shall be credited to his **or**
91 **her** account.

92 9. If a member with fewer than five years credited service ceases to be an
93 employee, except by death, he **or she** shall be paid the amount of his **or her**
94 accumulated contributions in accordance with applicable provisions of the
95 Internal Revenue Code.

96 10. If a member with five years or more credited service ceases to be an
97 employee, except by death or retirement, he **or she** shall be paid on demand the
98 amount of his **or her** accumulated contributions, or he **or she** may leave his **or**
99 **her** accumulated contributions with the retirement system and be an inactive
100 member and claim a retirement benefit at any time after he **or she** reaches the
101 minimum age for retirement, except that if such a member's accumulated
102 contributions do not exceed the involuntary distribution limits under provisions
103 of the Internal Revenue Code, the member must elect to become an inactive
104 member within thirty days of employment separation to avoid application of the
105 involuntary distribution provisions of the Internal Revenue Code. When an
106 inactive member presents his **or her** valid claim to the board of trustees, he **or**
107 **she** shall be granted a benefit at such time and for such amount as is available
108 pursuant to subsection 2 or 3 of this section in accordance with the provisions of
109 law in effect at the time his **or her** active membership ceased. The accumulated
110 contributions of an inactive member may be withdrawn at any time upon ninety
111 days' notice or such shorter notice as is approved by the board of trustees. If an
112 inactive member dies before retirement, his **or her** accumulated contributions
113 shall be paid to his **or her** designated beneficiary, if living, otherwise to the
114 estate of the member. A member's accumulated contributions shall not be paid
115 to him **or her** so long as he **or she** remains in service as an employee.

116 11. Any member upon retirement shall receive his **or her** pension payable
117 throughout life subject to the provision that if his **or her** death occurs before he
118 **or she** has received total benefits at least as large as his **or her** accumulated
119 contributions at retirement, the difference shall be paid in one sum to his **or her**
120 designated beneficiary, if living, otherwise to the estate of the retired member.

121 12. Prior to the date of retirement pursuant to subsection 2, 3, or 4 of this
122 section, a member may elect to receive the actuarial equivalent of his **or her**
123 pension in a lesser amount, payable throughout life under one of the following
124 options with the provision that:

125 Option 1. Upon his **or her** death, his **or her** pension shall be continued
126 throughout the life of and paid to his **or her** beneficiary, or

127 Option 2. Upon his **or her** death, one-half of his **or her** pension shall be
128 continued throughout the life of and paid to his **or her** beneficiary, or

129 Option 3. Upon his **or her** death, his **or her** pension shall be continued
130 throughout the life of and paid to his **or her** beneficiary, provided that in the
131 event his **or her** designated beneficiary predeceases him **or her**, then his **or her**
132 pension shall be adjusted effective the first day of the month following the month
133 in which his **or her** designated beneficiary died to the amount determined
134 pursuant to subsection 2 or 3 of this section at the time of his **or her** retirement,
135 or

136 Option 4. Upon his **or her** death, one-half of his **or her** pension shall be
137 continued throughout the life of and paid to his **or her** beneficiary, provided that
138 in the event his **or her** designated beneficiary predeceases him **or her**, then his
139 **or her** pension shall be adjusted effective the first day of the month following the
140 month in which his **or her** designated beneficiary died to the amount determined
141 pursuant to subsection 2 or 3 of this section at the time of his **or her** retirement.

142 Option 5. Prior to age sixty-two the member will receive an increased
143 pension, where the total pension prior to age sixty-two is approximately equal to
144 the pension after age sixty-two plus the member's estimated federal Social
145 Security benefit, provided that the reduced pension after age sixty-two is not less
146 than one-half the pension the member could have received had no option been
147 elected. A member may elect a combination of Option 1 and Option 5, or Option
148 2 and Option 5. The survivor benefits payable to a beneficiary, other than the
149 spouse of the retired member, under any of the foregoing options shall in no event
150 exceed fifty percent of the actuarial equivalent of the pension determined
151 pursuant to subsection 2 or 3 of this section at the time of retirement.

152 13. If an option has been elected pursuant to subsection 12 of this section,
153 and both the retired member and beneficiary die before receiving total benefits
154 as large as the member's accumulated contributions at retirement, the difference
155 shall be paid to the designated beneficiary of the person last entitled to benefits,
156 if living, otherwise to the estate of the person last entitled to benefits.

157 14. If an active member dies while an employee and with five or more
158 years of credited service and a dependent of the member is designated as
159 beneficiary to receive his **or her** accumulated contributions, such beneficiary
160 may, in lieu thereof, request that benefits be paid under option 1, subsection 12

161 of this section, as if the member had attained age sixty, if the member was less
162 than sixty years of age at the time of his **or her** death, and had retired under
163 such option as of the date of death, provided that under the same circumstances
164 a member may provide by written designation that benefits must be paid
165 pursuant to option 1 to such beneficiary. In addition to benefits received under
166 option 1, subsection 12 of this section, a surviving spouse receiving benefits under
167 this subsection shall receive sixty dollars per month for each unmarried
168 dependent child of the deceased member who is under twenty-two years of age
169 and is in the care of the surviving spouse; provided, that if there are more than
170 three such unmarried dependent children one hundred eighty dollars shall be
171 divided equally among them. A "dependent beneficiary" for the purpose of this
172 subsection only shall mean either the surviving spouse or a person who at the
173 time of the death of the member was receiving at least one-half of his **or her**
174 support from the member, and the determination of the board of trustees as to
175 whether a person is a dependent shall be final.

176 15. In lieu of accepting the payment of the accumulated contributions of
177 a member who dies after having at least eighteen months of credited service and
178 while an employee, an eligible beneficiary or, if no surviving eligible beneficiary,
179 the unmarried dependent children of the member under twenty-two years of age
180 may elect to receive the benefits pursuant to subdivision (1), (2), (3), or (4) of this
181 subsection. An "eligible beneficiary" is the surviving spouse, unmarried
182 dependent children under twenty-two years of age or dependent parents of the
183 member, if designated as beneficiary. A "dependent" is one receiving at least
184 one-half of his **or her** support from the member at his **or her** death.

185 (1) A surviving spouse who is sixty-two years of age at the death of the
186 member or upon becoming such age thereafter, and who was married to the
187 member at least one year, may receive sixty dollars per month for life. A spouse
188 may receive this benefit after receiving benefits pursuant to subdivision (2) of this
189 subsection;

190 (2) A surviving spouse who has in his or her care an unmarried dependent
191 child of the deceased member under twenty-two years of age may receive sixty
192 dollars per month plus sixty dollars per month for each child under twenty-two
193 years of age but not more than a total of two hundred forty dollars per month;

194 (3) If no benefits are payable pursuant to subdivision (2) of this
195 subsection, unmarried dependent children under the age of twenty-two may
196 receive sixty dollars each per month; provided that if there are more than three

197 such children one hundred eighty dollars per month shall be divided equally
198 among them;

199 (4) A dependent parent upon attaining sixty-two years of age may receive
200 sixty dollars per month as long as not remarried provided no benefits are payable
201 at any time pursuant to subdivision (1), (2), or (3) of this subsection. If there are
202 two dependent parents entitled to benefits, sixty dollars per month shall be
203 divided equally between them;

204 (5) If the benefits pursuant to this subsection are elected and the total
205 amount paid is less than an amount equal to the accumulated contributions of a
206 member at his **or her** death, the difference shall be payable to the beneficiary or
207 the estate of the beneficiary last entitled to benefits.

208 16. If a member receiving a normal pension again becomes an active
209 member, his **or her** pension benefit payments shall cease during such
210 membership and shall be resumed upon subsequent retirement together with
211 such pension benefit as shall accrue by reason of his **or her** latest period of
212 membership. Except as otherwise provided in section 105.269, a retired member
213 may not receive a pension benefit for any month for which he **or she** receives
214 compensation from an employing board, except he **or she** may serve as a
215 part-time or temporary employee for not to exceed sixty days in any calendar year
216 without becoming a member and without having his **or her** pension benefit
217 discontinued. A retired member may also serve as a member of the board of
218 trustees and receive any reimbursement for expenses allowed him **or her** because
219 of such service without becoming an active member and without having his **or**
220 **her** pension benefit discontinued or reduced.

221 17. Upon approval of the board of trustees, any member may make
222 contributions in addition to those required. Any additional contributions shall
223 be accumulated at interest and paid in addition to the benefits provided
224 hereunder. The board of trustees shall make such rules and regulations as it
225 deems appropriate in connection with additional contributions including
226 limitations on amounts of contributions and methods of payment of benefits.

227 18. Notwithstanding any other provisions of this section, any member
228 retiring on or after age sixty-five who has five or more years of credited service
229 shall be entitled to an annual pension of the lesser of (a) an amount equal to his
230 **or her** number of years of credited service multiplied by one hundred twenty
231 dollars, or (b) one thousand eight hundred dollars. Upon the death of such
232 member, any benefits payable to the beneficiary of such member shall be

233 computed as otherwise provided.

169.490. 1. All the assets of the retirement system shall be held as one
2 fund.

3 [1.] 2. (1) **For any member hired before January 1, 2018,** the
4 employing board shall cause to be deducted from the compensation of each
5 member at every payroll period five percent of his **or her** compensation[, and].

6 (2) **Beginning January 1, 2018, the percentage in subdivision (1)**
7 **of this subsection shall increase one-half of one percent annually until**
8 **such time as the percentage equals nine percent.**

9 (3) **For any member hired for the first time on or after January**
10 **1, 2018, the employing board shall cause to be deducted from the**
11 **compensation of each member at every payroll period nine percent of**
12 **such member's compensation.**

13 (4) The amounts so deducted shall be transferred to the board of trustees
14 and credited to the individual account of each member from whose compensation
15 the deduction was made. In determining the amount earnable by a member in
16 any payroll period, the board of trustees may consider the rate of earnable
17 compensation payable to such member on the first day of the payroll period as
18 continuing throughout such payroll period; it may omit deduction from
19 compensation for any period less than a full payroll period if the employee was
20 not a member on the first day of the payroll period; and to facilitate the making
21 of the deductions, it may modify the deduction required of any member by such
22 amount as shall not exceed one-tenth of one percent of the compensation upon the
23 basis of which such deduction was made.

24 [(2)] (5) The deductions provided for herein are declared to be a part of
25 the salary of the member and the making of such deductions shall constitute
26 payments by the member out of his **or her** salary or earnings and such
27 deductions shall be made notwithstanding that the minimum compensation
28 provided by law for any member shall be reduced thereby. Every member shall
29 be deemed to consent to the deductions made and provided for herein, and shall
30 receipt for his **or her** full salary or compensation, and the making of said
31 deductions and the payment of salary or compensation less said deduction shall
32 be a full and complete discharge and acquittance of all claims and demands
33 whatsoever for services rendered during the period covered by the payment except
34 as to benefits provided by sections 169.410 to 169.540.

35 [(3)] (6) The employing board may elect to pay member contributions

36 required by this section as an employer pick up of employee contributions under
37 Section 414(h)(2) of the Internal Revenue Code of 1986, as amended, and such
38 contributions picked up by the employing board shall be treated as contributions
39 made by members for all purposes of sections 169.410 to 169.540.

40 [2.] **3.** If a retired member receiving a pension pursuant to sections
41 169.410 to 169.540 is restored to active service and again becomes an active
42 member of the retirement system, there shall be credited to his **or her** individual
43 account an amount equal to the excess, if any, of his **or her** accumulated
44 contributions at retirement over the total pension benefits paid to him **or her**.

45 [3.] **4.** Annually, the actuary for the retirement system shall calculate
46 each employer's contribution as an amount equal to a certain percentage of the
47 total compensation of all members employed by that employer. The percentage
48 shall be fixed on the basis of the liabilities of the retirement system as shown by
49 the annual actuarial valuation. The annual actuarial valuation shall be made on
50 the basis of such actuarial assumptions and the actuarial cost method adopted by
51 the board of trustees, provided that the actuarial cost method adopted shall be
52 in accordance with generally accepted actuarial standards and that the unfunded
53 actuarial accrued liability, if any, shall be amortized by level annual payments
54 over a period not to exceed thirty years. **The provisions of this subsection**
55 **shall expire on December 31, 2017. Thereafter subsection 5 of this**
56 **section shall apply.**

57 **5. For calendar year 2018, the rate of contribution payable by**
58 **each employer shall equal sixteen percent of the total compensation of**
59 **all members employed by that employer. For calendar year 2019, the**
60 **rate of contribution payable by each employer shall equal fifteen**
61 **percent of the total compensation of all members employed by that**
62 **employer. For calendar year 2020, the rate of contribution payable by**
63 **each employer shall equal fourteen percent of the total compensation**
64 **of all members employed by that employer. For calendar year 2021, the**
65 **rate of contribution payable by each employer shall equal thirteen**
66 **percent of the total compensation of all members employed by that**
67 **employer. For calendar year 2022, the rate of contribution payable by**
68 **each employer shall equal twelve percent of the total compensation of**
69 **all members employed by that employer. For calendar year 2023, the**
70 **rate of contribution payable by each employer shall equal eleven**
71 **percent of the total compensation of all members employed by that**

72 **employer. For calendar year 2024, the rate of contribution payable by**
73 **each employer shall equal ten percent of the total compensation of all**
74 **members employed by that employer. For calendar year 2025 and**
75 **subsequent calendar years, the rate of contribution payable by each**
76 **employer shall equal nine percent of the total compensation of all**
77 **members employed by that employer.**

78 [4.] **6.** The expense and contingency reserve shall be a reserve for
79 investment contingencies and estimated expenses of administration of the
80 retirement system as determined annually by the board of trustees.

81 [5.] **7.** Gifts, devises, bequests and legacies may be accepted by the board
82 of trustees to be held and invested as a part of the assets of the retirement
83 system and shall not be separately accounted for except where specific direction
84 for the use of a gift is made by a donor.

169.715. 1. Any person receiving a retirement allowance under sections
2 169.600 to 169.712, and who elected a reduced retirement allowance under
3 subsection 4 of section 169.670 with his **or her** spouse as the nominated
4 beneficiary, may nominate a successor beneficiary under either of the following
5 circumstances:

6 (1) If the nominated beneficiary precedes the retired person in death, the
7 retired person may, upon remarriage, nominate the new spouse under the same
8 option elected in the application for retirement;

9 (2) If the marriage of the retired person and the nominated beneficiary is
10 dissolved, and if the dissolution decree provides for sole retention by the retired
11 person of all rights in the retirement allowance, the retired person may, upon
12 remarriage, nominate the new spouse under the same option elected in the
13 application for retirement.

14 2. Any nomination of a successor beneficiary under subdivision (1) or (2)
15 of subsection 1 of this section must be made in accordance with procedures
16 established by the board of trustees, and must be filed within ninety days of May
17 6, 1993, or within [ninety days] **one year** of the remarriage, whichever later
18 occurs. Upon receipt of a successor nomination filed in accordance with those
19 procedures, the board shall adjust the retirement allowance to reflect actuarial
20 considerations of that nomination as well as previous beneficiary and successor
21 beneficiary nominations.

22 **3. Any person receiving a retirement allowance under sections**
23 **169.600 to 169.715 who elected a reduced retirement allowance under**

24 subsection 4 of section 169.670 with his or her spouse as the nominated
25 beneficiary may have the retirement allowance increased to the amount
26 the retired member would be receiving had the retired member elected
27 option 1 if:

28 (1) The marriage of the retired person and the nominated spouse
29 is dissolved on or after September 1, 2017;

30 (2) The dissolution decree provides for sole retention by the
31 retired person of all rights in the retirement allowance; and

32 (3) The person receives a retirement allowance under subsection
33 4 of section 169.670.

34 Any such increase in the retirement allowance shall be effective upon
35 the receipt of an application for such increase and a certified copy of
36 the decree of dissolution that meets the requirements of this section.

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